

will lead you through a process that ensures you understand each vendor's business model, technology, fee structure, customer service capabilities and cultural compatibility with the County.

### **Suggested Process**

In order to help you meet your long-term objectives regarding the administration of on-line benefits enrollment, we suggest the following process:

#### **Step 1: Defining Your Desired State**

To kick-off the process, we will hold an initial planning teleconference with you and/or the project lead. During this hour-long session we will:

- Discuss the data collection and review process we will use to gather critical information regarding your HR function's operations;
- Identify the key staff that will provide input during the process; and
- Review and refine our work plan and establish the final project timeline.

Segal will provide the County with an initial data request, which will be fulfilled by the County's project team, with Segal guidance. A complete data request will be drafted once this engagement is initiated. Typical items requested could include: organization charts, HR mission statements, existing policies and procedures, HR job descriptions and other collateral that you think might be helpful in the initial analysis. As we conclude this process, Segal will review the information provided, and use it as the basis for the one-day strategy meeting.

We will facilitate a one-day strategy meeting with key decision-makers and hands-on administrators at the County to assess your current and desired state for administration and to establish realistic expectations regarding the options available based on your short and long-term goals. Sample questions we will raise in this discussion include:

- What financial and human resource objectives are driving your decision to explore this opportunity?
- What expectations do you have regarding ROI from making such a change?
- Do you anticipate significant improvements in responsiveness for your employees?
- What are your general perspectives on any tasks that should be handled by the County versus an outside vendor?
- How important is maintaining control through internal review of vendor performance?
- How receptive will employees be toward greater reliance on an outside vendor, and to change in general?
- What are your current processes and procedures for administering your plan?

As you provide input on these and other key questions, we will share our perspectives on what can be accomplished. Once the approach is defined, we will help you solidify your vision of that approach.

## **Step 2: Vendor Selection**

During the selection process, we will design a tailored RFP and then manage the RFP process. Major steps in this process will include:

- *Qualify* - Identify a select number of targeted vendors (four or five) who provide the required outsourcing approach and services, relying upon Segal's experience in this market.
- *Create* - Combine the information gathered in Step 1 above, known industry standards, and best practice statements into a tailored RFP specific to the type of outsourcing services that are required by the County.
- *Issue* - Deliver the RFP to the selected vendors and manage information flow between the County and these vendors.
- *Ensure* - Manage follow-up and process controls established in the RFP.
- *Clarify* - Conduct bidders' conference or gather questions from bidders and issue answers to all of their questions.
- *Collect* - Assemble complete and timely RFP responses.
- *Evaluate* - Measure and analyze each response against the County's specific requirements, established evaluation criteria and Segal's response rating system.\*
- *Summarize* - Combine vendor evaluation reviews into qualitative responses. Provide written analysis and summary of results and evaluation ranking with identification of potential issues.
- *Notify* - Manage the notification process for finalists and non-finalists.\*
- *Demonstrate* - Evaluate, organize and coordinate finalist vendor demonstrations.\*
- *Verify* - Conduct thorough reference checks on finalists.\*
- *Visit* - Participate in and coordinate on-site visits.\*
- *Recommend* - Facilitate team discussions to create final recommendation.

\* These are tasks that the County could perform or assume some responsibility which would serve to reduce the proposed fees – see the last paragraph in the estimated fees section below.

We can also tailor these steps to any defined process that the County may already have in place for the procurement of services.

## **Step 3: Implementation (Optional)**

Once a provider has been selected, Segal can also be retained to assist with implementation. Steps here could include:

- Establishing a detailed implementation project plan with the County and the chosen vendor;
- Helping define roles for the project managers appointed by the County and the vendor;
- Creating a plan for monitoring ongoing performance and resolving issues that arise; and
- Negotiating final contract terms with the vendor.



**b. Outline of how respondent can meet or exceed the minimum requirements**

We offer the following in support of how Segal meetings or exceeds the minimum requirements:

- 1. Have at least 10 years experience in employee health benefit consulting, particularly with respect to a large employer operated health plan. (\$50,000,000) Preferably some governmental agency experience.**

Segal has served as health benefit consultant to public and private sector clients since our establishment in 1939. We have consulted to a number of local and state government health benefit programs where the client's operating budget is well in excess of \$100 million per year.

- 2. Have all appropriate licenses and certification required by appropriate government agencies to perform the specified services.**

Confirmed. Segal maintains business licenses for Memphis Tennessee and for other areas of the State and other states in the region.

- 3. Have sufficient personnel or sub-consultants available to perform any requested services in a timely basis.**

Confirmed. We are providing the County a consulting and actuarial team with direct experience working with your benefits and with similar benefits offered in Tennessee.

- 4. Possess sufficient experience in drafting proposals.**

Confirmed. Segal conducts hundreds of procurement processes each year for public sector clients. We have already conducted bid processes for the County over the past few years.

- 5. Have a web-enable application database for proposal analysis and evaluation.**

Confirmed. Segal has used our web-enabled proposal analysis on bids for the County

- 6. Apply and qualify for an Equal Opportunity Compliance (EOC) cortication number through our EOC Administration ( see the details outlined in section VVI General Requirement/e. Selection Criteria)**

The Segal Company currently has a vendor number to work with the County. We have applied for an Equal Opportunity Compliance certification number and have attached our application for your review.

- 7. Adhere to all Title VI requirements and provide proof/documentation if necessary.**

The Segal Company will adhere to all Title VI requirements and will provide proof in necessary.

- 8. MUST NOT facilitate in the preparation of a Request for Proposal (RFP) for the requested services that would allow an affiliate of the Proposer to respond to RFP. An affiliate is defined as an individual and/or entity, where a business relationship has been established between the Proposer and the company such that a monetary exchange or other thing of value has been given to the Proposer by the individual or entity. This business relationship extends to members of the household of the Proposer. The affiliation includes all current business relationships as well as those that have occurred with the preceding year.**

**The individual and/or entity refers to person(s) who have submitted a bid to be evaluated by the Propose, and Shelby County department and/or the Purchasing Department.**

Segal confirms that we do not have any conflicts of interest regarding this account.

**c. Detail of how the respondent is qualified to provide the services required**

Segal serves as health consultant to a number of state and local governmental clients. Examples of our work for public sector clients include:

- **Pennsylvania Public School Employees Retirement System** – Health Options Program. Segal provides health consulting and program design for voluntary Medicare Supplement and pre-65 non-Medicare programs, as well as for the system's Medicare Part D and regular prescription drug plans, all of which are self-insured. We have just completed an eight-month strategy study on the system's medical benefit programs and are now implementing successful changes to the non-Medicare program to help make that plan self-sustaining and not subsidized by the Medicare retirees. We have also created the prescription drug plan designs for both Medicare and non-Medicare Rx benefits.
- **State of Maryland.** Segal served as the State's benefit consultant for eight years, during which time we conducted 17 major plan procurements. At the time of each procurement, we worked closely with the State to change and update plan designs that would be in effect for the next contract period.
- **State of Hawaii.** We have provided the health consulting for the State provided health care benefits for employees and the retirees of the State, all counties and cities within the State since 1957, before it was even admitted into the Union. We were the consultants to the State Health Fund until 2002 when we assisted Governor Lingel in preparing legislation that would establish a new Trust, jointly trusted by Governor's appointees and representatives of the Unions representing State employees and retirees. We then led the implementation of the Trust, development and implementation of its operating rules, legislation to establish its authority and operation and public accountability (mirrored ERISA).
- **Shelby County, Tennessee.** Segal conducted a comprehensive review of plan design, recommended plan modifications, analyzed costs and cost drivers of the County's STD, LTD, Life & AD&D programs. We then put all four programs out to bid and assisted with the evaluation of competitive bids and negotiated the program fees with the winning bidders.

Segal has extensive experience consulting to local jurisdictions on their retirement benefit programs. We serve as actuary to many cities and counties across the country. We also provide actuarial services to statewide systems covering multiple municipal employer groups. Segal has recently assisted the System with investment consulting services for their Optional Retirement Plan defined contribution assets. In addition, we provide similar asset and plan design consulting services to the County's consolidated defined contribution program, the Maryland Teachers and State Employees Supplemental Retirement Plans.

In a challenging economic environment shaped by volatile securities markets, with 76 million baby boomers nearing retirement age, and with longer life spans and shifting workforce characteristics, public sector employers and the retirement plans they sponsor require sophisticated analytical tools.

Segal's retirement practice provides our public sector clients with the highest level of expertise to cope with these emerging dramatic developments through the strategic design, funding and monitoring of pension and related deferred compensation plans.

Segal's retirement practice is known for the depth of its knowledge. Many of our consultants are recognized as national experts, testifying before congress, leading professional associations and committees and speaking at national and regional conferences and forums. They are also regular contributors to professional magazines and journals.



d. Provide a description of the web-based application system utilized

**Electronic – Request For Proposal**

Segal has greatly improved the efficiency of the RFP process by having an on-line or eRFP. We will assist the County with the RFP process on its insurance products. The eRFP allows us to customize the RFP to meet all of the County's specification. In our initial meeting with the County, we will distribute the prior RFP documents and all suggestions and comments that would be pertinent to preparing the new version. We will return to the office and proceed to make the needed changes.

Our initial meeting with the County will also give us an opportunity to review and discuss benefit strategies. Following that meeting, depending on the direction we are given by the County, we will prepare cost projections for suggestions the County believes it may want to proceed to implement. Once final decisions are made as to how these changes will affect the RFP, we will then proceed to incorporate these changes into the RFP, and will work with the County's Human Resources and Purchasing Departments to make the RFP ready for publication and distribution by the County. We will make recommendations and prepare bid specifications for the County.

The RFP process performed in 2006 – 2007 for the County's STD/LTD, Life and Dental programs were all completed using the eRFP process.

e. Provide work samples of any relevant publications, reports, policy and procedural recommendations from previous consulting engagements

Segal publishes a series of informational newsletters to clients, including **Bulletins** which discuss new legislation or regulation, **Public Sector Letters**, which provide in-depth analysis on benefits issues, and electronic updates on new developments in the *Capital Checkup* and *Compliance Alert* sections of Segal's websites.

Important and breaking issues are made known to our clients through special issues of The Segal Company's *Bulletin*. The *Bulletin* provides a concise description of the legislative or regulatory matter with a discussion of the possible implications for public sector plans. A more comprehensive treatment of the issues is provided through our *Public Sector Letter*, which presents in mini-white paper format, a thorough discussion of significant issues for governmental plans. Each issue of our *In Depth* publication provides highly focused analysis on a particular benefits issue.

Segal's publications that are routinely provided to clients include:

- Electronic newsletters including Segal *Compliance Alert*, a periodic electronic newsletter on the Company website summarizing important legislation and regulations concerning administration and compliance issues, and *Capital Checkup*, which summarizes health issues. This information is provided upon release via email through our website, located at [www.segalco.com](http://www.segalco.com).
- Periodic Segal *Updates*, which detail the latest legal and regulatory developments;
- Periodic *Public Sector Letters*, *Executive Letters* and *NewsLetters* that discuss creative benefit planning options for employers and plan sponsors;
- *Segal Advisory*, a publication of Segal Advisors, Inc., our investment consulting subsidiary, which discusses investment topics for plan sponsors; and
- Periodic *Bulletins* on major compliance developments, which are distributed to staff and clients.

All of our publications are now available on-line and by electronic transmission to our clients.

We help our clients identify legislative developments and compliance issues and monitor pertinent federal and state, legal and regulatory developments through daily review of specialized trade publications such as the *BNA Daily Tax Report* and *Health Care Daily* and weekly *Pension and Benefits Reporter*, and *Tax Notes Today*. In addition, we monitor the release of pertinent government material, and have prompt access to all official documents such as proposed and final regulations, Revenue Rulings, and bills introduced or acted on in Congress. Our research staff in the Washington, D.C. office includes a number of key members of our national staff who monitor and report on developments in the employee benefits field.

Our Washington staff members have close working relationships with policymakers in both congressional offices and federal agencies. We are able to quickly assess compliance concerns and seek answers from governmental sources. We also participate in meetings with Washington lobbyists representing the interests of group health plan sponsors, such as the American Benefits Council and the National Association of State Retirement Administrators (NASRA). Segal is often called upon to brief policymakers or lobbyists on emerging issues or to consult on statutory or regulatory language.

Our local offices have compliance consultants who have similar relationships with state and local policymakers. In light of recent state law developments, Segal has redoubled its efforts in the state arena. We use resources from the *Health Policy Tracking Service* (published by Thomson West) to track state developments, and we have prepared roundups of state development by issue, e.g. new extension of benefits laws. We also focus on new areas as necessary, such as the evolving Massachusetts health care reform rules.

Information is gathered and reported to clients in other various formats, depending on the context of the information. These formats include contacting clients directly, Segal-hosted educational seminars and workshops and several regular Segal publications.

We have included samples of our publications in Tab 13.

We have provided in Tab 3 two different samples of health program actuarial analyses performed for our public sector clients. One of the samples is a section from our standard Health Benefit Report format, while the other is a customized format designed specifically for a state client's needs. We will tailor our reporting to the County's needs.

We have provided in Tab 4 our sample standard GASB OPEB actuarial report.

## Sample Health Reports

## Financial Experience and Budget Projections

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*The projections in this report are estimates of future costs and are based on information available to The Segal Company at the time the projections were made. The Segal Company has not audited the information provided. Projections are not a guarantee of **future results**. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases.*

*Projection of retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does **not** reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.*



**SECTION 2: Financial Experience and Budget Projections for University of State**

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*Key Findings &  
Recommendations*

- *The loss of the House staff has not had as large of a negative impact as originally projected.*
- *Claim costs for medical and mental health are below the original projections due to positive claim experience.*
- *The Low Premium (LP) plan is having a positive impact on overall claim costs due its costs being 50% less than the High Premium (HP) plan.*
- *The change in contribution tiering to a 4-way rate breakout appears to have drawn approximately 100 employees into the plan that had not been previously covered.*

## SECTION 2: Financial Experience and Budget Projections for University of State

Financial Experience  
and Budget Projections  
Fiscal Years Ended  
December 31

### SUMMARY

	Actual Results			Projections		
	2002	2003	2004	2005	2006	2007
Average Number of Participants (Active, Retiree, & COBRA)	11,852	12,211	12,368	12,614	12,655	12,701
Total Income	\$59,625,896	\$72,183,234	\$78,722,774	\$93,227,000	\$93,536,300	\$93,868,100
Total Expenses	\$65,161,851	\$72,891,645	\$74,588,158	\$84,541,500	\$94,505,800	\$105,688,700
Change in IBNR and Contingent Reserves	(\$962,750)	\$1,545,906	\$339,352	\$1,990,594	\$1,992,876	\$2,236,606
Total Incurred Plan Cost	\$64,199,101	\$74,437,552	\$74,927,510	\$86,532,094	\$96,498,676	\$107,925,306
Total IBNR and Contingent Reserves Available	\$14,467,415	\$13,759,004	\$17,893,620	\$26,579,120	\$25,609,620	\$13,789,020

